



CIECH S.A.

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2014**

The opinion contains 2 pages
The supplementary report contains 10 pages
Opinion of the independent auditor
and supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2014

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of CIECH S.A.

Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of CIECH S.A., with its registered office in Warsaw, ul. Puławska 182 (“the Company”), which comprise the separate statement of financial position as at 31 December 2014, the separate statement of profit or loss, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management’s and Supervisory Board’s Responsibility for the Financial Statements

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and with other applicable regulations and preparation of the report on the Company’s activities. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the report on the Company’s activities are in compliance with the requirements set forth in the Accounting Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying separate financial statements of CIECH S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2014 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Company's Activities

As required under the Accounting Act, we report that the accompanying report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

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Zbigniew Libera
Key Certified Auditor
Registration No. 90047
Limited Liability Partner with power of attorney

23 March 2015

CIECH S.A.

Supplementary report
on the audit of the separate
financial statements
Financial Year ended
31 December 2014

The supplementary report contains 10 pages

The supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2014

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1. General

1.1. General information about the Company

1.1.1. Company name

CIECH S.A.

1.1.2. Registered office

ul. Puławska 182
02-670 Warsaw

1.1.3. Registration in the register of entrepreneurs of the National Court Register

Registration court: District Court for the Capital City Warsaw in Warsaw,
XIII Commercial Department of the National Court Register
Date: 25 May 2001
Registration number: KRS 0000011687
Share capital as at
the end of reporting period: PLN 263,500,965.00

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

As at 31 December 2014, the Management Board of the Company was comprised of the following members:

- Dariusz Krawczyk – President of the Management Board,
- Maciej Tybura – Member of the Management Board,
- Artur Osuchowski – Member of the Management Board.

On 7 July 2014 r. Mr. Andrzej Kopeć resigned from the position of Member of the Management Board, effective 7 July 2014.

According to the resolution of Supervisory Board dated 9 October 2014 Mr. Maciej Tybura was appointed to the position of Member of the Management Board.

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname: Zbigniew Libera
Registration number: 90047

1.2.2. Audit Firm information

Name: KPMG Audyty Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office: ul. Chłodna 51, 00-867 Warsaw
Registration number: KRS 0000339379
Registration court: District Court for the Capital City of Warsaw in Warsaw,
XII Commercial Department of the National Court Register
NIP number: 527-26-15-362

KPMG Audyty Spółka z ograniczoną odpowiedzialnością sp.k. is entered into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period financial statements

The separate financial statements for the financial year ended 31 December 2013 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The separate financial statements were approved at the General Meeting on 23 May 2014 where it was resolved to distribute the net profit for the prior financial year of PLN 100,693 thousand as follows:

- PLN 59,551 thousand to be paid as dividend,
- PLN 41,142 thousand to reserve capital.

The separate financial statements were submitted to the Registry Court on 29 May 2014.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of CIECH S.A. with its registered office in Warsaw, ul. Puławska 182 and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2014, the separate statement of profit or loss, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the resolution no. 4 of the Extraordinary General Shareholders' Meeting of CIECH S.A. dated 31 January 2007.

The separate financial statements were audited in accordance with the contract dated 11 June 2013, concluded on the basis of the resolution of the Supervisory Board dated 4 June 2013 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements at the Company during the period from 17 November 2014 to 21 November 2014 and from 26 January 2015 to 2 February 2015.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Company's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Company submitted a statement dated as at the same date as this report as to the true and fair presentation of the accompanying separate financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.



CIECH S.A.

*The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2014*

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All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

2. Financial analysis of the Company

2.1. Summary analysis of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2014 PLN '000	% of total	31.12.2013 PLN '000	% of total
Property, plant and equipment	6 031	0,2	3 209	0,1
Intangible assets	9 861	0,4	6 208	0,2
Non-current loans granted	317 805	12,4	375 318	14,6
Shares in related entities	1 730 373		1 747 848	68,2
Deferred income tax assets	77 331	3,0	39 047	1,6
Total non-current assets	2 141 401	83,2	2 171 630	84,7
Inventories	21 773	0,9	7 865	0,3
Short-term investments	118 392	4,6	26 122	1,0
Income tax receivable	9 163	0,3	3 498	0,1
Trade and other receivables	272 993	10,6	303 825	11,9
Cash and cash equivalents	10 261	0,4	50 499	2,0
Total current assets	432 582	16,8	391 809	15,3
TOTAL ASSETS	2 573 983	100,0	2 563 439	100,0
EQUITY AND LIABILITIES	31.12.2014 PLN '000	% of total	31.12.2013 PLN '000	% of total
Share capital	287 614	11,1	287 614	11,2
Share premium	470 846	18,3	470 846	18,4
Cash flow hedge	(5 724)	0,2	78	-
Actuarial gains	(348)	-	2	-
Other reserve capital	76 199	3,0	76 199	3,0
Retained earnings	133 271	5,2	100 693	3,9
Total equity	961 858	37,4	935 432	36,5
Loans, borrowings and other debt instruments	1 177 605	45,8	1 305 439	50,9
Finance lease liabilities	-	-	360	-
Other non-current liabilities	2 512	-	-	-
Employee benefits	875	-	495	-
Total non-current liabilities	1 180 992	45,8	1 306 294	50,9
Loans, borrowings and other debt instruments	91 921	3,6	31 443	1,2
Finance sale-and-lease back liabilities	-	-	929	-
Finance lease liabilities	360	-	846	-
Trade and other liabilities	316 822	12,3	266 512	10,4
Income tax liabilities	9	-	14	0,1
Provisions (short-term provisions for employee benefits and other provisions)	22 021	0,9	21 969	0,9
Total current liabilities	431 133	16,8	321 713	12,6
Total liabilities	1 612 125	62,6	1 628 007	63,5
TOTAL EQUITY AND LIABILITIES	2 573 983	100,0	2 563 439	100,0



CIECH S.A.

The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2014
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2.1.2. Separate statement of profit or loss

	01.01.2014 - 31.12.2014 PLN '000	% of total sales	01.01.2013 - 31.12.2013 PLN '000	% of total sales
CONTINUING OPERATIONS				
Sales revenues	1 655 739	100,0	1 621 201	100,0
Cost of sales	(1 293 332)	78,1	(1 330 386)	82,1
Gross profit on sales	362 407	21,9	290 815	17,9
Other operating income	21 419	1,2	8 998	0,6
Selling costs	(153 249)	9,3	(129 376)	8,0
General and administrative expenses	(64 610)	3,9	(62 632)	3,8
Other operating expenses	(33 841)	2,0	(45 564)	2,8
Operating profit	132 126	8,0	62 241	3,8
Financial income	227 401	13,7	397 392	24,5
Financial expenses	(303 820)	18,4	(326 044)	20,1
Net financial income/expenses	(76 419)	4,6	71 348	4,4
Profit before tax	55 707	3,4	133 589	8,2
Income tax	(22 246)	1,3	73 063	4,5
Profit from continuing operations	33 461	2,0	206 652	12,8
DISCONTINUED OPERATIONS				
Profit/(Loss) from discontinued operations	58 668	3,5	(105 959)	6,5
Net profit	92 129	5,6	100 693	6,2
Earnings per share				
Basic earnings per share (PLN)	1,75		1,91	
Diluted earnings per share (PLN)	1,75		1,91	

2.1.3. Separate statement of other comprehensive income

	01.01.2014 - 31.12.2014 PLN '000	% of profit	01.01.2013 - 31.12.2013 PLN '000	% of profit
<i>Net profit for the period</i>	92 129	100,0	100 693	100,0
CONTINUING OPERATIONS				
Other comprehensive income before tax that may be reclassified to profit or loss				
Cash flow hedge	(7 163)	7,8	96	0,1
Other comprehensive income before tax that may not be reclassified to profit or loss				
Actuarial gains	(432)	0,5	2	-
Income tax attributable to other comprehensive income	1 443	1,6	(18)	-
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	1 361	1,5	(18)	-
Income tax attributable to other comprehensive income that may not be reclassified to profit or loss	82	0,1	-	-
<i>Other comprehensive income, net of tax</i>	(6 152)	6,7	80	0,1
TOTAL COMPREHENSIVE INCOME	85 977	93,3	100 773	100,1

2.2. Selected financial ratios

	2014	2013	2012
1. Return on sales from continuing operations			
<u>profit from continuing operations x 100%</u> sales revenues from continuing operations	2,0%	12,7%	negative value
2. Return on equity			
<u>profit for the period x 100%</u> equity - profit for the period	10,6%	12,1%	negative value
3. Debtors' days			
<u>average trade receivables (gross) x 365 days</u> revenue	58 days	66 days	48 days
4. Debt ratio			
<u>liabilities x 100%</u> equity and liabilities	62,6%	63,5%	68,7%
5. Current ratio			
<u>current assets</u> current liabilities	1,0	1,2	1,5

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

3. Detailed report

3.1. Accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the separate financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system, which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act, and reconciled and recorded the result thereof in the accounting records.

3.2. Notes to the separate financial statements

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements.

3.3. Report on the Company's activities

The report on the Company's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

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23 March 2015